

State of Misconsin 2005 - 2006 LEGISLATURE

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2005 BILL



To editing 2/24 Due 3/2

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AN ACT to cree

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AN ACT to create 101.148 and 895.07 of the statutes; relating to: claims against certain building contractors.

Analysis by the Legislative Reference Bureau

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

- **SECTION 1.** 101.148 of the statutes is created to read:
- 101.148 Contractor notices. (1) Definitions. In this section:
- (a) "Building" means any structure that is an improvement to land and that is intended for use as a single-family dwelling or as an owner-occupied two-family dwelling.
 - (b) "Claimant" has the meaning given in s. 895.07 (1) (c).
- (c) "Contractor" means a person who enters into a contract with a potential claimant to construct a building on the potential claimant's land, to complete a

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remodeling project on a building affixed to the potential claimant's land, or to complete a remodeling project on the potential claimant's manufactured home. "Contractor" does not include a subcontractor.

- (d) "Manufactured home" has the meaning given in s. 101.91 (2).
- (e) "Remodel" does not include maintenance and repair work.
- (2) NOTICE REQUIRED AT TIME OF CONTRACTING. (a) Upon entering into a contract to construct complete a remodeling project on a building or to complete a remodeling project on a manufactured home, the contractor shall give the potential claimant, if any, a notice worded substantially as follows:

NOTICE CONCERNING CONSTRUCTION

DEFECTS

Wisconsin law contains important requirements you must follow before you may file a lawsuit for defective construction against the contractor who constructed your building or completed your remodeling project. For example, section 895.07 (2) of the Wisconsin statutes requires you to deliver to the contractor a written notice of any construction conditions you allege are defective before you file your lawsuit, and you must provide your contractor the opportunity to make an offer to repair or pay for the defects. You are not obligated to accept any offer made by the contractor. There are strict deadlines and procedures under state law, and failure to follow them may affect your ability to file a lawsuit.

(b) The notice required under par. (a) shall be conspicuous and in writing and may be included within the contract between the contractor and the potential claimant.

SECTION 2. 895.07 of the statutes is created to read:

895.07 Claims against contractors. (1) In this section:

and (3)

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1	(a) "Action" means a civil action or an arbitration under ch. 788 .
2	(b) "Building" has the meaning given in s. 101.148 (1) (a). $^{\downarrow}$
3	(c) "Claimant" means a homeowner, other than a developer or builder, who
4	asserts a claim against a contractor concerning a defect.
5	(d) Defect" means a deficiency in the specifications, planning, supervision,
6	construction, or remodeling of a building or in the remodeling of a manufactured
7	home that results from any of the following:
8	1. Defective material.
9	2. Violation of applicable building codes.
10	3. Failure to follow accepted trade standards for workmanlike construction.
11	(e) "Contractor" has the meaning in s. $101.148(1)(c)$.
12	(f) "Manufactured home" has the meaning given in s. 101.91 (2).
13	(g) "Serve" or "service" means personal service or delivery by certified mail,
14	return receipt requested, to the last-known address of the addressee.
15	(h) "Subcontractor" means a person who contracts with another person to
16	provide labor or materials for the construction of a building on land owned by a 3rd
17	party, for the completion of a remodeling project on a building or manufactured
18	building affixed to land owned by a 3rd party, or for the completion of a remodeling
19	project on a manufactured home owned by a 3rd party.
20	(2) Before filing an action against a contractor for a defect, the claimant shall
21	serve the contractor with a notice of the claim that describes the claim in sufficient
22	detail to determine the general nature of the defect. If the claimant files an action
23	but fails to serve the notice of claim, the court shall dismiss the action without
24	prejudice, and the action may not be refiled until the claimant has complied with the
25)	requirements of this section. No later than 90 days before initiating an action

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under 5450 (2) against a contractor under this section, the claimant shall serve written notice of a claim on the contractor. The notice of claim shall state that the claimant asserts a construction defect claim or claims and is providing notice of the claim under this section. The notice of claim shall describe the claim or claims in detail sufficient to

explain the nature of the alleged construction defect and the results of the defect.

In addition, the claimant shall provide to the contractor any evidence that depicts the nature and cause of the construction defect, including expert reports.

photographs, and videotapes of that evidence would be discoverable. If after proper

request, the claimant fails to provide the evidence then the claimant may not

introduce any such evidence in any action, what

(3) Within 30 days after service of the notice of claim by the claimant under sub. each contractor that has received the notice of claim may serve on the claimant, and on any other contractor that has received the notice of claim, a written response to the claim or claims that either offers to settle the claim by monetary payment, the making of repairs, or a combination of both, without inspection, or proposes to inspect the building that is the subject of the claim.

(NA) If the contractor wholly rejects the claim and will neither remedy the alleged construction defect nor settle the claim, or does not respond to the claimant's notice of claim within the time runder sab. (3), the claimant may bring an action against the contractor for the claims described in the notice of claim without further notice, except as otherwise provided under applicable law.

(15) If the claimant rejects the settlement offer made by the contractor, the claimant shall provide written notice of the claimant's rejection to the contractor and, if represented by legal counsel, the contractor's attorney. The notice shall include the specific factual and, if known, legal reasons, for the claimant's rejection of the

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contractor's proposal or offer. If the claimant believes that the settlement offer omits reference to any portion of the claim, or was unreasonable, the claimant shall in its written notice include those items that the claimant believes were omitted and set forth in detail all reasons why the claimant believes the settlement offer is unreasonable. In any subsequent action where the claimant asserts that the settlement offer was unreasonable, the claimant may not raise any reasons that were not included in its response to the contractor. (No) (6) If a proposal for inspection is made persuant to sub. (3), the claimant shall, within 30 days of receiving the contractor's proposal, provide the contractor and its subcontractors, agents, experts, and consultants prompt and complete access to the building to inspect the building, document any alleged construction defects, and perform any destructive or non-destructive testing required to fully and completely evaluate the nature, extent, and cause of the claimed/defects and the nature and extent of any repairs or replacements that may be necessary to remedy the alleged defects. If destructive testing is required, the contractor shall give the claimant advance notice of such tests and shall, after completion of the testing, return the building to its pre-testing condition. If any inspection or testing reveals a condition that requires additional testing to allow the contractor to fully and completely evaluate the nature, cause, and extent of the construction defect, the contractor shall provide notice to the claimant of the need for such additional testing and the claimant under this puragraph shall provide access as set forth herein. If a claim is asserted on behalf of the owners of multiple buildings, or multiple owners of units within a multifamily complex, then the contractor shall be entitled to inspect each of the buildings or units. (7) Within 14 days following completion of the inspection and testing under

sub: (6), the contractor may serve on the claimant any of the following:

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A written offer to fully or partially remedy the construction defect at no cost to the claimant. The offer shall include a description of any additional construction necessary to remedy the defect described in the claim and an anticipated timetable for the completion of such construction.

A written offer to settle the claim by monetary payment.

- (a) A written offer including a combination of repairs and monetary payment.
- A written statement that the contractor will not proceed further to remedy the defect.

If a claimant accepts a contractor's offer made pursuant to sub. (7) and the contractor does not proceed to make the monetary payment or remedy the construction defect within the agreed timetable, the claimant may bring an action against the contractor for the claim described in the notice of claim without further notice except as otherwise provided by applicable law. In such situation, the claimant may also file the contractor's offer and claimant's acceptance, and such offer and acceptance with create a rebuttable presumption that a binding and valid settlement agreement has been created and should be enforced by the court.

If a claimant receives a written statement that the contractor will not proceed further to remedy the defect, the claimant may bring an action against the contractor for the claim described in the notice of claim without further notice except as otherwise provided by applicable law.

(10) If the claimant rejects the offer made by the contractor to remedy the construction defect or to settle the claim by monetary payment or a combination of each, the claimant shall serve written notice of the claimant's rejection on the contractor. The notice shall include the specific factual and, if known, legal reasons for the claimant's rejection of the contractor's offer. If the claimant believes the

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contractor's settlement offer is unreasonable, the claimant shall set forth in detail all reasons why the the claimant believes the settlement offer is unreasonable. In any subsequent action where the claimant asserts that the settlement offer was unreasonable, the claimant may not raise any reasons there were not included in its response to the contractor.

(11) Upon receipt of a claimant's rejection and the reasons for the rejection, the contractor may, within 15 days of receiving the rejection, make a supplemental offer of repair or monetary payment to the claimant.

(12) If the claimant rejects the supplemental offer made by the contractor to remedy the construction defect or to settle the claim by monetary payment or a combination of each, the claimant shall serve written notice of the claimant's rejection on the contractor. The notice shall include the specific factual and, if known, legal reasons for the claimant's rejection of the contractor's supplemental settlement offer. If the claimant believes the contractor's supplemental settlement offer is unreasonable, the claimant shall set forth in detail all reasons why the claimant believes the supplemental settlement offer is unreasonable. In any subsequent action in which the claimant asserts that the settlement offer was unreasonable, the claimant may not raise any reasons that were not included in its response to the contractor.

supplemental offer, made as provided under this section or does not permit the contractor to repair the construction defect pursuant to an accepted offer of settlement, the claimant may not recover an amount in excess of the fair market value of the offer of settlement, or the actual cost of the repairs made, whichever is less, or the amount of a monetary offer of settlement.

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For purposes of this subsection; the trier of fact shall determine the reasonableness of an offer of settlement. If the claimant has rejected a reasonable offer, including any reasonable supplemental offer, and any other law allows the claimant to recover costs and attorneys fees, then the claimant may recover no costs or attorneys fees incurred after the date of its rejection.

A claimant accepting the offer of the contractor to remedy a construction defect shall do so by serving the contractor with a written notice of acceptance within a reasonable period of time after receipt of the contractor's settlement offer, but no later than 30 days after receipt of the offer. If no response is served upon the contractor within the 30-day period, then the offer shall be deemed accepted.

described in a notice of claim, the claimant shall provide the contractor and its subcontractors, agents, experts, and consultants prompt and unfettered access to the building to perform and complete the construction by the timetable stated in the settlement offer.

(16) If, during the pendency of the notice, inspection, offer, acceptance, or repair process, an applicable limitations period would otherwise expire, the claimant may file an action against the contractor, but the action shall be immediately abated pending completion of the notice of claim process described in this section. This subsection shall not be construed to revive a statute of limitations period that has expired before the date on which a claimant's written notice of claim is served, or extend any applicable statute of repose.

After the sending of the initial notice of claim, a claimant and a contractor may, by written mutual agreement, alter the procedure for the notice of claim process described in this section.

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BILL B Contractor not liable for certain damages

 $\langle 1 \rangle$ (48) / In an action relating to a building involving a construction defect, a 2 contractor shall not be liable for damages involving or caused by any of the following: 3 (a) Normal shrinkage due to drying or settlement of construction components 4 within the tolerance of building standards. 5 (b) The contractor's reliance on written information relating to the building 6 that was obtained from official government records or provided by a government 7 entity. 8 (c) Any construction defect known by or disclosed to a claimant in writing before /9 his purchase of the building. 10 (d) If the claimant is not the first owner of the building, any construction defect 11 known by the claimant or that could have been discovered by the claimant through before 12)the exercise of reasonable diligence prior the claimant's purchase of the building. 13 (e) Refusal of anyone to allow the contractor or the contractor's agents to perform their warranty service work.

Additional Construction defects and notice and opportunity to repair A construction defect that is discovered after a claimant has provided a 14 1516 contractor with the initial claim notice may not be alleged in an action until the 17 claimant has given the contractor who performed the original construction under 18 sub (2) and written notice of claim regarding the alleged defect as required and opportunity to resolve the notice of claim in the manner provided in sub. (2). 19 (20) If a claimant accepts an offer made in compliance with this section and the 20 21contractor fulfills the offer in compliance with this section, the claimant shall 22 thereafter be barred from bringing an action for the claim described in the notice of

claim and the contractor shall be deemed, for insurance purposes, to have been

legally obligated to make the repairs or the monetary payment as if the claimant had

	2005 - 2006 Legislature -10 - LRB-2030/1 BILL B Action of condeminism associations © Section 2
	(+) (Action of condomination associations @)
1	recovered a judgment against the contractor in the amount of the cost of the repairs
2	or the amount of the monetary payment.
3	(21) (a) In this subsection, "association" means homeowners acting as a group,
4	through either a nonstock, nonprofit corporation or an unincorporated association
5	in accordance, with bylaws, and includes an association as defined in s. 703.02 (1m).
6	(b) A person may not provide or offer to provide anything of value, directly or
7	indirectly, to a property manager of an association or to a member or officer of an
8	association to induce the property manager, member, or officer to encourage
9	discourage the association to file a claim for damages arising from a construction
10	defect. (or a member or of an officer of an association
11)	(c) A property manager retained by a homeowners association may not accept
12	anything of value, directly or indirectly, in exchange for encouraging or discouraging
13	the association that he or she manages to file a claim for damages, arising from a
14	construction defect.
15	(d) A member or officer of an association may not accept anything of value,
16 /	directly or indirectly, in exchange for encouraging or discouraging the association of
17	which he or she is a member or officer to file a claim for damages arising from a
18	construction defect. priso(b) or (c)
19)	(e) A person who knowingly violates this section shall be guilty of a
20	misdemeanor.
21	(f) An association may bring an action against a contractor to recover damages
22	resulting from construction defects in any of the common elements or limited
23	common elements of a condominium Such an action may be maintained only after
24	all of the following occur:
	change period to comma

1	1. The association first obtains the written approval of each unit's owner whose
2	interest in the common elements or limited common elements will be subject of the
3	action
4	2. A vote of the units' owners to which at least a majority of the votes of the
5	members of the association are allocated
6	3. The full board of directors of the association and the contractor have meet
7	in person and conferred in a good faith attempt to resolve the associations claim, or
8	the contractor has definitively declined or ignored the requests to meet with the
9	board of directors of the association
10	4. The association has otherwise satisfied all of the pre-action requirements
11	for a claimant to commence an action as set forth in this section.
12	At least 3 business days in advance of any vote to commence an action by
13	an association to recover damages resulting from construction defects in any of the
14	common elements or limited common elements of a condominium, the attorney
15	representing the association shall provide to each unit's owner a written statement
16	that includes, in reasonable detail all of the following:
17	1. The defects and damages or injuries to the common elements or limited
18	common elements.
19	2 The cause of the defects, if the cause is known.
20	3. The nature and the extent that is known of the damage or injury resulting
21	from the defects.
22	4. The location of each defect within the common elements or limited common
23	elements, if known.
24	5. A reasonable estimate of the cost of the action, including reasonable
25	attorneys' fees and costs, expert fees, and the costs of testing.

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6. All disclosure that the unit owner is required to make upon the sale of the unit.

An association or an attorney for an association may not employ a person to perform destructive tests to determine any damage or injury to a unit, common element or limited common element caused by a construction defect unless all of the following are true:

- 1. The person is a licensed as a contractor.
 - 2. The association has obtained the prior written approval of each unit's owner whose unit or interest in the common element or limited common element will be affected by such testing.
 - 3. The person performing the tests has provided a written schedule for repairs.
 - 4. The person performing the tests is required to repair all damage resulting from such tests in accordance with state laws and local ordinances relating thereto.
 - 5. The association or the person so employed obtains all permits required to conduct such tests and to repair any damage resulting from such tests.
 - 6. Reasonable prior notice and opportunity to observe the tests is given to the contractor against whom an action may be brought as a result of the tests.
 - An association may commence an action only upon a vote or written agreement of the owners of the units to which at least a majority of the votes of the members of the association are allocated. In such a case, the association shall provide written notice to the owner of each unit of the meeting at which the commencement of an action is to be considered or action is to be taken at least 21 calendar days before the meeting.
 - (**) The board of directors of an association may, without giving notice to the units' owners, employ a contractor and other persons necessary to make immediate

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subsection.

Representative Wieckert This draft follows the model legislation you sent us fairly closely recent true it includes The provision in chapter 101.148 on contractor notices that was prepared for last sessions bill because that notice provision was trittered from the coursing uses appropriate defenitions under Wisconsin law to cover the types of building - for which notice is required Note, however, that this bills language includes manufactured homes , but the model Tegstahin is vague on this point of Alson we did limited the homeowners associations to condominium associations because condominiums are the only entities in Votes the Wisconsin startutes that have common and limited common elements. MJL

DRAFTER'S NOTE FROM THE LEGISLATIVE REFERENCE BUREAU

LRB-2307/P1dn MJL&RNK:wlj:rs

March 1, 2005

Representative Wieckert:

This preliminary draft follows the model legislation you sent us fairly closely, except that it includes the provision in section 101.148 on contractor notices that was prepared for last session's bill because that notice provision uses the appropriate definitions under Wisconsin law to cover the types of buildings for which notice is required. Note, however, that this bill's language includes manufactured homes, but the model legislation is vague on this point. Also, we limited the homeowner associations to condominium associations because condominiums are the only entities in the Wisconsin statutes that have common and limited common elements.

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Robin N. Kite Legislative Attorney Phone: (608) 266–7291

 $E-mail:\ robin.kite@legis.state.wi.us$

Consumer Right To Repair Changes to Draft 2307/P1dn

Changes from J.D./B.B./B.S. and NAHB Conference Call/Window and door manufacturers:

- Should be drafted to include all types of housing, including single-family, multifamily, owner-occupied two-family and condos.
- Definition of "building" (page 1, lines 5-7) should be changed to read:
 "Building" means any structure or appurtenance that is an improvement to land and that is intended for use (language that reflects all housing, single-family, multi-family, owner-occupied two-family and condos).
- Delete all mention of "manufactured housing". Make sure that deleting this
 reference does not also delete modular homes, we still want them to be
 covered.
 - o Page 2, line 2
 - o Page 2, line 4
 - o Page 2, line 8
 - o Page 3, line 7
 - Page 3, line 12
- Change all references to "defect(s)" to "construction defect(s)"
 - p Page 2, line 13
 - Page 2, line 16
 - o Page 2, line 18
 - o Page 3, line 4
 - o Page 3, line 16
 - o Page 3, line 18
 - Page 3, line 24 //
 - o Page 4, line 2
 - o Page 5, line 23
 - o Page 6, line 3
 - o Page 6, line 13
 - o Page 9, line 15
 - o Page 11, line 6
 - o Page 11, line 8
 - o Page 11, line 10

- o Page 11, line 11
- Change the definition of "contractor" (page 1, lines 9-10, page 2, lines 1-3) to:

 (c) "Contractor" means a person who enters into a contract with a potential claimant to construct a building, or to complete a remodeling project on a building.
- Page 2, line 19 should read:
 "contractor, but failure to except a reasonable offer can limit your // recoverable damages."
- Page 2, line 19-20, delete "There are strict deadlines and procedures under state law, and failure to follow them may affect your ability to file a lawsuit."
- Page 2, add as first sentence in line 12, "The purpose of the Consumer Right to Repair law is to resolve disputes between contractors and homeowners in an efficient and cost effective manner for the homeowner."
- Page 3, line 5 (d) definition of "construction defect" should be changed to read:

"Construction Defect" has the meaning assigned by a written, express warranty either provided by the Contractor or required by applicable statutory law; if no written, express warranty or applicable statutory warranty provides a definition, then "Construction Defect" means a matter concerning the design, construction, or repair of a Dwelling, of an alteration of or repair or addition to an existing Dwelling, or of an appurtenance to a Dwelling, on which a person has a complaint against a Contractor. The term may include any physical damage to the Dwelling, any appurtenance, or the real property on which the Dwelling or appurtenance are affixed, proximately caused by a Construction Defect.

- Page 5, lines 19-20 should read, "Within 14 days following completion of the inspection and receipt of all test results under par. (e), the contractor may serve on the clamant any of the following:"
- Page 11, line 21, replace with, "The person should have demonstrated expertise in the testing being conducted on the dwelling." Note: the current language was deleted because WI does not have a requirement for a contractor to be licensed.
- Delete all references to "condominium association" or the definition provided for "association". Instead, refer to "association" as the enclosed definition:

- "Supplier" means a person or entity who supplies components to a building.
- We would like the bill to be drafted that once a contractor receives a notice from a claimant that involves work done by a supplier, the contractor must serve notice to the supplier.
- Page 5, line 11 should read, "the claimant and effected supplier notice at least ten days prior to commencement of testing, after completion of the testing,"
 **this language does not have to be word for word, our intent is that any contractor who has to do destructive testing must notify both the claimant and the effected supplier (example: the front door was done by a supplier and a destructive test must be done by the contractor. The contractor must notify both the claimant and the effected supplier at least ten days prior to commencement of testing).
- Page 10, line 15, insert "(f) Claimant and any other party subject to notice under this act shall be bound by any contractor or supplier warranty terms pertaining to the product or services supplied to the building."
- Page 12, lines 17-19, replace with. "(8) CONTRIBUTION AND INDEMNITY.
 Contribution may not be sought against any contractor, supplier, person or entity
 unless such contractor, supplier, person or entity is provided written notice by the
 party seeking contribution that a claim (as defined in this Act) has been filed. A
 party seeking contribution must serve (as defined in this Act) notice of the claim
 on any party from whom contribution is sought within ten days of the party's
 receipt of the claim.

Any contractor electing to inspect a building must provide written notice (via certified mail) of the date and building address of the inspection (whether or not destructive testing is contemplated) to any contractor, supplier, person or entity from whom contribution will be sought such that notice is received by the contractor, supplier, person or entity sought to be bound at least ten days prior to the date of the building inspection. Failure to provide timely notice of claim and right to inspection shall bar any contribution claim against any contractor, supplier, person or entity not provided timely notice."



State of Misconsin 2005 - 2006 LEGISLATURE

P & LRB-2307/PI

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION







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AN ACT to create 101.148 and 895.07 of the statutes; relating to: claims against

2 certain building contractors.

Analysis by the Legislative Reference Bureau

This is a preliminary draft. An analysis will be provided in a later version.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

- **SECTION 1.** 101.148 of the statutes is created to read:
- 4 101.148 Contractor notices. (1) Definitions. In this section:
- 6 intended for use as a single-family dwelling or as an owner-occupied two-family dwelling.
 - (b) "Claimant" has the meaning given in s. 895.07 (1) (c).
- 9 (c) "Contractor" means a person who enters into a contract with a potential claimant to construct a building on the potential claimant's land, to complete a

1	remodeling project on a building on the potential claimant's land, or to complete a	
(2)	remodeling project on the potential claimant's manufactured home. "Contractor"	
3	includes a subcontractor.	
4	(d) "Manufactured home" has the meaning given in s. 101.91 (2).	
5	(e) "Remodel" does not include maintenance and repair work.	
6	(2) NOTICE REQUIRED AT TIME OF CONTRACTING. (a) Upon entering into a contract	
7	to construct a building, to complete a remodeling project on a building, or to complete	
8	a remodeling project on a manufactured home, the contractor shall give the potential	
9	claimant, if any, a notice worded substantially as follows:	
10	NOTICE CONCERNING CONSTRUCTION	
11	Seq = 17 DEFECTS	
12	Wisconsin law contains important requirements you must follow before you	
13	may file a lawsuit for defective construction against the contractor who constructed	
14	your building or completed your remodeling project. For example, section 895.07 (2)	
15	and (3) of the Wisconsin statutes requires you to deliver to the contractor a written	
16	notice of any construction conditions you allege are defective before you file your	
17	lawsuit, and you must provide your contractor the opportunity to make an offer to	
18)	repair or pay for the defects. You are not obligated to accept any offer made by the	
19	repair or pay for the defects. You are not obligated to accept any offer made by the contractor. There are strict deadlines and procedures under state law, and failure to follow the contractor.	recoverable
20	to follow them may affect your ability to file a lawsuit.	adming
21	(b) The notice required under par. (a) shall be conspicuous and in writing and	
22	may be included within the contract between the contractor and the potential	
23	claimant.	
24	Section 2. 895.07 of the statutes is created to read:	

895.07 Claims against contractors. (1) Definitions. In this section:

construction (INS 4-

sufficient detail to explain the nature of the alleged construction defect and the results of the defect. In addition, the claimant shall provide to the contractor any evidence discoverable under ch. 804 that depicts the nature and cause of the construction defect, including expert reports, photographs, and videotapes. If the claimant fails to provide the evidence then the claimant may not introduce any such evidence in an action under this section.

- (b) Within 30 days after the claimant serves notice of claim under par. (a), each contractor that has received the notice of claim may serve on the claimant, and on any other contractor that has received the notice of claim, a written response to the claim or claims that either offers to settle the claim by monetary payment, the making of repairs, or a combination of both, without inspection, or proposes to inspect the building that is the subject of the claim.
- (c) If the contractor wholly rejects the claim and will neither remedy the alleged construction defect nor settle the claim, or does not respond to the claimant's notice of claim within the time under par. (b), the claimant may bring an action against the contractor for the claims described in the notice of claim without further notice, except as otherwise provided under applicable law.
- (d) If the claimant rejects a settlement offer made by the contractor, the claimant shall provide written notice of the claimant's rejection to the contractor and, if represented by legal counsel, the contractor's attorney. The notice shall include the specific factual and, if known, legal reasons for the claimant's rejection of the contractor's proposal or offer. If the claimant believes that the settlement offer omits reference to any portion of the claim, or was unreasonable, the claimant shall in its written notice include those items that the claimant believes were omitted and set forth in detail all reasons why the claimant believes the settlement offer is

unreasonable. In any subsequent action in which the claimant asserts that the settlement offer was unreasonable, the claimant may not raise any reasons that were not included in its response to the contractor.

- (e) If a proposal for inspection is made under par. (b), the claimant shall, within 30 days of receiving the contractor's proposal, provide the contractor and its agents, experts, and consultants prompt and complete access to the building to inspect the building, document any alleged construction defects, and perform any testing required to evaluate fully the nature, extent, and cause of the claimed construction defects and the nature and extent of any repairs or replacements that may be necessary to remedy them. If destructive testing is required, the contractor shall give the claimant advance notice of the testing and shall, after completion of the testing, return the building to its pre-testing condition. If any inspection or testing reveals a condition that requires additional testing to allow the contractor to evaluate fully the nature, cause, and extent of the construction defect, the contractor shall provide notice to the claimant of the need for the additional testing and the claimant shall provide access under this paragraph. If a claim is asserted on behalf of the owners of multiple buildings, or multiple owners of units within a multifamily complex, then the contractor shall be entitled to inspect each of the buildings or units.
- (f) Within 14 days following completion of the inspection and testing under par.

 (e), the contractor may serve on the claimant any of the following:
- 1. A written offer to remedy fully or partially the construction defect at no cost to the claimant. The offer shall include a description of any additional construction necessary to remedy the defect and an anticipated timetable for the completion of the construction.
 - 2. A written offer to settle the claim by monetary payment.

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response to the contractor

- 3. A written offer including a combination of repairs and monetary payment.
- 4. A written statement that the contractor will not proceed further to remedy the defect.
- (g) If a claimant accepts a contractor's offer made under par. (f) and the contractor does not proceed to make the monetary payment or remedy the construction defect within the agreed timetable, the claimant may bring an action against the contractor for the claim described in the notice of claim without further notice, except as otherwise provided by applicable law. The claimant may also file the contractor's offer and claimant's acceptance, and the offer and acceptance creates a rebuttable presumption that a binding and valid settlement agreement has been created and should be enforced by the court.
- (h) If a claimant receives a written statement that the contractor will not proceed further to remedy the defect, the claimant may bring an action against the contractor for the claim described in the notice of claim without further notice, except as otherwise provided by applicable law.
- (i) If the claimant rejects the offer made by the contractor to remedy the construction defect or to settle the claim by monetary payment or a combination of each, the claimant shall serve written notice of the claimant's rejection on the contractor. The notice shall include the specific factual and, if known, legal reasons for the claimant's rejection of the contractor's offer. If the claimant believes the contractor's settlement offer is unreasonable, the claimant shall set forth in detail all reasons why the the claimant believes the settlement offer is unreasonable. In any subsequent action in which the claimant asserts that the settlement offer was unreasonable, the claimant may not raise any reasons there were not included in its luter discovers significant information

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- (j) Upon receipt of a claimant's rejection and the reasons for the rejection, the contractor may, within 15 days of receiving the rejection, make a supplemental offer of repair or monetary payment to the claimant.
- (k) If the claimant rejects the supplemental offer made by the contractor to remedy the construction defect or to settle the claim by monetary payment or a combination of each, the claimant shall serve written notice of the claimant's rejection on the contractor. The notice shall include the specific factual and, if known, legal reasons for the claimant's rejection of the contractor's supplemental settlement offer. If the claimant believes the contractor's supplemental settlement offer is unreasonable, the claimant shall set forth in detail all reasons why the claimant believes the supplemental settlement offer is unreasonable. In any subsequent action in which the claimant asserts that the settlement offer was unreasonable, the claimant may not raise any reasons that were not included in its response to the contractor.
- (L) If a claimant rejects a reasonable offer, including any reasonable supplemental offer, made as provided under this subsection or does not permit the contractor to repair the construction defect pursuant to an accepted offer of settlement, the claimant may not recover an amount in excess of the fair market value of the offer of settlement, or the actual cost of the repairs made, whichever is less, or the amount of a monetary offer of settlement. For purposes of this paragraph, the trier of fact shall determine the reasonableness of an offer of settlement. If the claimant has rejected a reasonable offer, including any reasonable supplemental offer, and any other law allows the claimant to recover costs and attorney fees, then the claimant may recover no costs or attorney fees incurred after the date of its rejection.

(5)

(m) A claimant accepting the offer of the contractor to remedy a construction
defect shall do so by serving the contractor with a written notice of acceptance within
a reasonable period of time after receipt of the contractor's settlement offer, but no
later than 30 days after receipt of the offer. If no response is served upon the
contractor within the 30-day period, then the offer shall be deemed accepted.

- (n) If a claimant accepts a contractor's offer to repair a construction defect described in a notice of claim, the claimant shall provide the contractor and its agents, experts, and consultants prompt and unfettered access to the building to perform and complete the construction by the timetable stated in the settlement offer.
- (o) If, during the pendency of the notice, inspection, offer, acceptance, or repair process, an applicable limitations period would otherwise expire, the claimant may file an action against the contractor, but the action shall be immediately abated pending completion of the notice of claim process described in this section. This paragraph shall not be construed to revive a statute of limitations period that has expired before the date on which a claimant's written notice of claim is served or extend any applicable statute of repose.
- (p) After the sending of the initial notice of claim, a claimant and a contractor may, by written mutual agreement, alter the procedure for the notice of claim process described in this section.
- (4) CONTRACTOR NOT LIABLE FOR CERTAIN DAMAGES. In an action relating to a building involving a construction defect, a contractor shall not be liable for damages involving or caused by any of the following:
- (a) Normal shrinkage due to drying or settlement of construction components within the tolerance of building standards.

means a condominium association as defined in s. 703.02 (1m), homeowners association of condominium association under \$703002 (1m), unit owners association, or a nonprofit corporation excuted to own and operate portrons of a planned community that may assess unit owners for the costs incurred in the performance of the

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(b) A person may not provide or offer to provide anything of value, directly or
indirectly, to a property manager of an association or to a member or officer of an
association to induce the property manager, member, or officer to encourage the
association to file or discourage the association from filing a claim for damages
arising from a construction defect.

- (c) A property manager retained by an association or a member or officer of an association may not accept anything of value, directly or indirectly, in exchange for encouraging to file or discouraging from filing a claim for damages on behalf of the association arising from a construction defect.
 - (d) A person who knowingly violates par. (b) or (c) is guilty of a misdemeanor.
- (e) An association may bring an action against a contractor to recover damages resulting from construction defects in any of the common elements or limited common elements of a condominium, as defined in s. 703.02 (2) and (10). Such an action may be maintained only after all of the following occur:
- 1. The association first obtains the written approval of each unit's owner whose interest in the common elements or limited common elements will be subject of the action.
- 2. A vote is held of the units' owners to which at least a majority of the votes of the members of the association are allocated.
- 3. The full board of directors of the association and the contractor have met in person and conferred in a good faith attempt to resolve the association's claim, or the contractor has definitively declined or ignored the requests to meet with the board of directors of the association.
- 4. The association has otherwise satisfied all of the pre-action requirements for a claimant to commence an action as set forth in this section.

1	(f) At least 3 business days in advance of any vote to commence an action by
2	an association to recover damages resulting from construction defects in any of the
3	common elements or limited common elements of a condominium, the attorney
4	representing the association shall provide to each unit's owner a written statement
5	that includes, in reasonable detail all of the following:
(6)	1. The defects and damages or injuries to the common elements or limited
7	common elements.
8	2. The cause of the defects, if the cause is known.
9	3. The nature and the extent that is known of the damage or injury resulting
10	from the defects.
11/	4. The location of each defect within the common elements or limited common
12	elements, if known.
13	5. A reasonable estimate of the cost of the action, including reasonable attorney
14	fees and costs, expert fees, and the costs of testing.
15	6. All disclosure that the unit owner is required to make upon the sale of the
16	unit.
17	(g) An association or an attorney for an association may not employ a person
18	to perform destructive tests to determine any damage or injury to a unit, common
19	element, or limited common element caused by a construction defect unless all of the
20	following are true:
<u>(21)</u>	1. The person is licensed as a contractor
22	2. The association has obtained the prior written approval of each unit's owner
23	whose unit or interest in the common element or limited common element will be
24	affected by the testing.
25	3. The person performing the tests has provided a written schedule for repairs.

	4.	The person	n performin	ng the tes	ts is requ	ired to	repair	all dam	age re	sulting
from	the	e tests in a	ccordance v	with state	laws and	d applic	able lo	cal ordi	nances	S.

- 5. The association or the person so employed obtains all permits required to conduct the tests and to repair any damage resulting from the tests.
- 6. Reasonable prior notice and opportunity to observe the tests is given to the contractor against whom an action may be brought as a result of the tests.
- (h) An association may commence an action only upon a vote or written agreement of the owners of the units to which at least a majority of the votes of the members of the association are allocated. In such a case, the association shall provide written notice to the owner of each unit of the meeting at which the commencement of an action is to be considered or action is to be taken at least 21 calendar days before the meeting.
- (i) The board of directors of an association may, without giving notice to the units' owners, employ a contractor and other persons necessary to make immediate repairs to a unit or common element within the condominium as are required to protect the health, safety, and welfare of the units' owners.
- (8) CONTRIBUTION AND INDEMNITY. This section does not apply to a contractor's right to seek contribution, indemnity, or recovery against a supplier or design professional for a claim made against a contractor or by claimant.

SECTION 3. Effective date.

(1) This act first applies to actions commenced on the effective date of this subsection.

Representative Wiethert () of I have incorporated most but not all of the changes sent to me by the builders groups In particular of please note the following d I did not include the Vpurpose statement V on page 27 line 12, because this is the equivalent of an intent Statement ; which the LRB does not include in bill so If 20 The new defenition of "Sconstruction defection is largely nonsensical of Included the part of the defenction relating to express warranty, but not; the part relating to Wapphalste stabutory lawo V The defenction created by the bill interest and would be if enacted the only applicable Stabutory defending The rest of

the new defention is very vague and confusing @ (A defect , as defered in their dictionary? means an insufficiency "fault or deficincy , not Va matter concerning the design a construction or regain of a buildy er en which a person has a complaint against a contractor o' I tried to wa defention that combines the cla the defention that appears in the PI draft with the express warrouty language from the builders V groups 9 30 I did not make any of the changes related to suppliers because I found them Confusing I need to know adjust the vir the death the exact language desired for each provision and the location of each provision is it relate to psupplierso

STATE OF WISCONSIN – LEGISLATIVE REFERENCE BUREAU – LEGAL SECTION (608-266-3561)

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"Association" means a homeowner's association, condominium association, unit owner's organization or a nonprofit corporation created to own and operate portions of a planned community which has the power to assess unit owners to pay the costs and expenses incurred in the performance of the association's obligations.

INS 4-2

Page 4; Line 2

results of the defect. The claimant must provide to the contractor all evidence for example, expert reports, photographs, experts, and videotapes that depict the nature and cause of the construction defect. Evidence that is withhold by claimant may not be used later in an action under this section.

electronic mail

INS 5-18

twith holds

the contractor shall be entitled to inspect each of the buildings or units. Claimant shall either provide a specific day for the inspection upon reasonable notice for an inspection or require contractor to provide notice in writing requesting a day, at least three (3) days prior to the inspection.

• Page 6; Line 21

contractor's settlement offer is unreasonable, the claimant shall set forth in detail a complete response including all reasons why the claimant believes the settlement offer is unreasonable. In any subsequent action in which the claimant asserts that the settlement offer was unreasonable, the claimant may not raise any new reasons unless significant information is later discovered by claimant.

Page 8; Line 5

contractor within the 30-day period, then the contractor may accept or terminate the process by drafting a letter to claimant within ten (10) days following the 30-day period.

• Page 9; Line 5

his or her purchase of the building. This includes all properties that buyers purchase in "as is" condition.

Page 9; Line 14

given the contractor who performed the original construction written notice of the new claim regarding the alleged new defect based on the most current records of claimant. Contractor shall have and an opportunity to resolve the notice of the new claim in the manner provided in sub. (3).

DRAFTER'S NOTE FROM THE LEGISLATIVE REFERENCE BUREAU

LRB-2307/P2dn MJL&RNK:wlj:rs

May 23, 2005

Representative Wieckert:

I have incorporated most but not all of the changes sent to me by the builders' group. In particular, please note the following:

- 1. I did not include the "purpose statement" on page 2, line 12, because this is the equivalent of an intent statement, which the LRB does not include in bills.
- 2. The new definition of "construction defect" is largely nonsensical. I included the part of the definition relating to express warranty, but did not include the part relating to "applicable statutory law." The definition created by the bill would be, if enacted, the only applicable statutory definition. The rest of the new definition is very vague and confusing. (A defect, as defined in the dictionary, means an insufficiency, fault, or deficiency, not "a matter concerning the design, construction or repair of a building ... on which a person has a complaint against a contractor.") I tried instead to create a definition that combines the clarity of the definition that appears in the /P1 draft with the express warranty language from the builders' group.
- 3. I did not make any of the changes related to suppliers because I found them confusing. I need to know the exact language desired for each provision and the location of each provision as it relates to suppliers.

Madelon J. Lief Senior Legislative Attorney Phone: (608) 267–7380

As requested, I have eliminated the references to "manufactured home" in this draft and have substituted the term "modular home." Neither current law nor this draft define the term "modular home." Do you want to include a definition of this term?

> Robin N. Kite Legislative Attorney Phone: (608) 266–7291

E-mail: robin.kite@legis.state.wi.us

Wisconsin Window and Door Manufacturers Coalition Modifications to LRB-2307/P2 Notice and Opportunity to Repair Legislation

June 30, 2005

Summary

These changes are intended to accomplish the following:

- 1. Provide that window and door manufacturers must receive notice of alleged defects and have an opportunity to repair them before:
 - a. Any suit is filed by a building owner against a window and door manufacturer.
 - b. Any contribution for damages is sought by a contractor against a window and door manufacturer after a claim has been filed against the contractor.
- 2. "Supplier" is defined to mean window and door manufacturers as well as concrete and asphalt suppliers.
- 3. Language is added saying that all parties are bound by warranties.
- 4. Language is added requiring that all parties must be given 10 days prior notice if destructive testing is going to take place.

Specific Changes to LRB-2307/P2

- P. 2, line 3: Insert the following: "(f) 'Supplier' means a person or entity who supplies windows, doors, concrete or asphalt to a building."
- P. 2, line 12: After "project," insert "or against window, door, concrete or asphalt suppliers."
 - P. 2, lines 15 and 17: After "contractor," insert "or window, door, concrete or asphalt suppliers."

/Insert "or supplier" after "contractor" at the following locations:

√P. 3, lines 16 and 23.

P. 4, lines 12, 13, 17, 20, 22, 23 and 24.

P. 5, lines 9, 14, 17, 18 and 24.

P. 6, lines 2, 12, 15, 20, 22 and 24.

√P∕. 7, lines 2, 4, 10, 12, 15, 16, 17 and 25.

√P. 8, lines 9, 10, 14, 15 and 21.

P. 9, lines 4, 5 and 21

P. 10, lines 1, 4, 6 and 8.

Par. P supplier omitted?

what about lines 9, 18-19

- P. 4, line 4: After "evidence," delete "for example" and insert "possessed by or known by the claimant, including but not limited to."
- P. 4, line 16: After "claim," insert the following: "Within 30 days after a supplier has received notice that contribution will be sought under sec. 895.07(8), the supplier that has received the notice of contribution may serve on the claimant and on the party that has sent the notice of contribution and on all other parties a written response that either offers to settle the claim by monetary payment, the making of repairs or a combination of both, without inspection, or proposes to inspect the building that is the subject of the claim."
- P.5, line 15: After "claimant," insert "and all parties on whom notice of a claim has been served."
- P. 5, line 15: After "testing," insert "at least ten days prior to commencement of any testing."
- P. 5, line 19: After "claimant," insert "and all parties on whom notice of complaint has been served."
- P. 9, line 19: At the end of that line, insert the following: "(g) Claimant and any other party subject to notice under this act shall be bound by any supplier warranty terms pertaining to the products or services supplied to the building."
- P. 13, lines 7-9: Delete those lines and insert the following: "(8) CONTRIBUTION AND INDEMNITY. Contribution may not be sought against any contractor, supplier, person or entity for a claim made against a contractor by a claimant unless such contractor, supplier person or entity is provided written notice by the party person seeking contribution/that a claim has been filed by a claimant. A party seeking contribution must serve (as defined in this act) notice of the claim on any party from whom contribution is sought within ten days of the party's receipt of the claim. The party on whom the claim is served shall have the opportunity to repair under the procedures set forth in sec. 895.07(3). Failure to obtain service within ten days on the party sought to be bound shall bar contribution against any party not timely served. Any contractor electing to inspect a building must provide written notice (via certified mail) of the date and building address of the inspection (whether or not destructive testing is contemplated) to any contractor, supplier, person or entity from whom contribution will be sought such that notice is receive by the contractor, supplier, person or entity sought to be bound at least ten days prior to the date of the building inspection. Failure to provide timely notice of claim and right to inspection shall bar any contribution claim against any contractor, supplier, person or entity not provided timely notice."

For further information, contact: Richard G. Chandler (608) 628-0433